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# Sri Lanka Public Financial Management Assessment Report

Assessment Report  
Asia and the Middle East Economic Growth Best Practices (AMEG) Project  
Chemonics International Inc.  
Task Order No. AID-OAA-12-00008

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# SRI LANKA PUBLIC FINANCIAL MANAGEMENT

## ASSESSMENT REPORT

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Project

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# ACRONYMS

AGD	AUDITOR GENERAL'S DEPARTMENT
ADB	ASIAN DEVELOPMENT BANK
CBSL	CENTRAL BANK
CI	COMMISSION OF INQUIRY
COI	CONFLICT OF INTEREST
CIABOC	COMMISSION TO INVESTIGATE ALLEGATIONS OF BRIBERY OR CORRUPTION
FCID	FINANCIAL CRIMES INVESTIGATION DEPARTMENT
FMIS	FINANCIAL MANAGEMENT INFORMATION SYSTEM
GOSL	GOVERNMENT OF SRI LANKA
MOF	MINISTRY OF FINANCE
MOPP	MINISTRY OF POLICY PLANNING, CHILD, YOUTH, AND CULTURAL AFFAIRS
MTFF	MEDIUM-TERM FISCAL FRAMEWORK
MTEF	MEDIUM-TERM EXPENDITURE FRAMEWORK
NDP	NATIONAL DEVELOPMENT PLAN
NGO	NON-GOVERNMENTAL ORGANIZATION
NPC	NATIONAL PROCUREMENT COMMISSION
PEFA	PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY
PIP	PUBLIC INVESTMENT PROGRAM
PFM	PUBLIC FINANCIAL MANAGEMENT
PPP	PUBLIC-PRIVATE PARTNERSHIP
RAMIS	REVENUE ADMINISTRATION MANAGEMENT INFORMATION SYSTEM
RTI	RIGHT TO INFORMATION
STARTS	SPECIAL TASK FORCE ON RECOVERY OF STATE ASSETS
TA	TECHNICAL ASSISTANCE
USG	UNITED STATES GOVERNMENT
WB	WORLD BANK

# EXECUTIVE SUMMARY

Since the military defeat of the Liberation Tigers of Tamil Elam (LTTE) in 2009, Sri Lanka has been praised for its relatively good economic performance, which shows a real GDP growth in 2013 of 7.3 percent.<sup>1</sup> This period of economic growth has meant increased income and living conditions for Sri Lankans, including the poorer population groups.<sup>2</sup> Good economic performance and a relatively safe political situation, created false hope within the previous government that it could remain in power for another term. In the most recent elections held in January 2015, Sri Lankans voted for a change in government, largely due to public concern about wide-spread corruption.

To address this concern, the newly-established Sri Lankan government has prioritized its commitment to improved Public Financial Management (PFM)<sup>3</sup> in order to reduce opportunities for corruption and ensure the provision of public services, while preserving fiscal sustainability and macro-economic stability and growth; however, the roadmap to implement PFM reforms has not been developed. The following assessment diagnosed a frail PFM system without a fully established vision, operations, and checks and balances. In Sri Lanka, the three PFM components -- fiscal sustainability, strategic allocation of resources, and operational efficiency -- are not interlinked. The Ministry of Finance<sup>4</sup> (MOF) lacks the necessary capacity and technical instruments to lead planning, execution, and oversight of the budget process. The PFM application is also highly discretionary as line ministries and state agencies can make their own decisions, which do not necessarily align with a national strategy and can sometimes surpass budget ceilings. In addition, state agencies' and ministries' abilities to bend procurement laws and regulations, compounded by feeble audit and controlling capacity, lead to fertile ground for corruption and the public's perception of it.

In Sri Lanka, weak PFM implementation combined with fragmented financial administration, discretionary power, and lack of oversight, has fostered the development of suspicious, costly projects and dubious results. An underdeveloped civil society and lack of access to information adds to the perception of corruption in the country. The new government is under pressure to address issues of corruption while facing other large-scale economic and political challenges.

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<sup>1</sup> IMF. Sri Lanka Country Report No. 14/285. 2014.

<sup>2</sup> According to the IMF, the national poverty headcount ratio declined from 8.9 percent in 2009-2010 to 6.7 percent in 2012-2013.

<sup>3</sup> PFM involves a set of institutions, which regulate the elaboration of the national budget, along the budget cycle from planning, and programming, all the way through execution, revenue management, accounting, auditing and monitoring and evaluation.

<sup>4</sup> Under the previous government, the MOF was known as the Ministry of Finance and Planning. Planning has since been broken off into a new Ministry – the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs. For ease of use, this report refers to it as Ministry of Policy Planning (MOPP).

This report identifies a number of areas of potential intervention in the PFM space; however, four have been prioritized for consideration in any future assistance program in Sri Lanka, based on the potential impact on reducing systemic corruption:

1. Promote an enabling regulatory framework for procurement and auditing;
2. Develop the parliament's capacity to oversee PFM and efficient budget planning and execution matters;
3. Assist in raising awareness about the procurement process to stakeholders including Government of Sri Lanka (GOSL) officials, civil society, and media;
4. Support the GOSL in enhancing the quality, timeliness, and access of budget and procurement information to the public, while training the media and civil society to analyze and report on the information.

The USG is committed to supporting the GOSL in their reform efforts. The USG is taking a whole-of-government approach requiring additional staffing and funding above the current levels to manage the programs and coordination of efforts and to address key areas of reform. A USG "anti-corruption strategy" for Sri Lanka would be useful in aligning the interagency with the GOSL and donor efforts. A PFM-focused donor coordination group is recommended, preferably led by the World Bank.

# INTRODUCTION

This assessment comes at an interesting time in Sri Lanka, after the recent presidential elections in January 2015. The current government has publically declared its intent to improve PFM and support other important reforms, in its aim to reduce corruption nationwide. The assessment is the first step undertaken by the U.S. Government (USG) to better understand the current PFM situation and areas of priority for potential future interventions.

## ABOUT AMEG

This assessment was funded through the Asia and Middle East Economic Growth Best Practices (AMEG) project, which is designed to support USAID missions in developing effective and efficient economic growth programs that address technical and strategic challenges that are specific to countries in which USAID operates in Asia and the Middle East. Through AMEG, USAID is able to conduct rapid and strategic economic growth assessments, pilot innovative approaches in economic growth programming, and consolidate and disseminate best practices in economic growth projects learned from USAID implementation throughout the world.

## ABOUT SRI LANKA PFM

The current vision of the Sri Lankan Ministry of Finance (MOF) is “to create a sound public finance regulatory framework to improve transparency, accountability and service delivery in the public sector.” As such, a goal of the new government has been to design and develop PFM procedures and systems to strengthen economic governance, support transparent processes, and improve accountability.

The objective of this activity was to identify strengths and weaknesses in PFM in Sri Lanka and provide recommendations to USAID and the Sri Lankan Ministry of Finance (MOF), Ministry of Policy Planning (MOPP), and other relevant GOSL institutions on potential actions and areas in which to improve the effectiveness and efficiency of PFM applications.

The report was produced based on desk research and a two-week field assessment in Colombo, Sri Lanka. A large part of the analysis found below is based on information obtained in meetings with high ranking GOSL officials, experts from multilateral agencies (International Monetary Fund, World Bank, and Asian Development Bank), think tanks, NGOs, and other organizations. Data and statistics were sourced primarily from the World Bank Public Expenditure Tracking Survey and Article IV of IMF’s Sri Lanka’s Country Economic Indicators (2014).



## ORGANIZATION OF THE REPORT

The report starts with an overview of PFM functions and components to provide a general summary to the reader. It dives into recent economic and political developments, as well as general perceptions on PFM and corruption in Sri Lanka. Furthermore, it expands to provide ongoing and proposed efforts and reforms, challenges, and opportunities. The document then presents recommendations to strengthen PFM and reduce inefficiencies and mismanagement of resources in order to reduce corruption in Sri Lanka. Finally, the report provides recommendations on operational solutions to the USG's whole-of-government effort to support Sri Lanka in its reforms.

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# PFM OVERVIEW

The general definition in regards to PFM is that it entails mobilizing resources for the public sector and effectively and efficiently funding the provision of public services, while preserving fiscal sustainability, macroeconomic stability, and growth. In terms of meeting governmental policy objectives, an effective PFM system operates within resource constraints imposed by fiscal discipline. Proper PFM application leads to the reallocation of scarce resources towards government planned strategies and provides adequate funding to ensure operational efficiencies within the public sector.

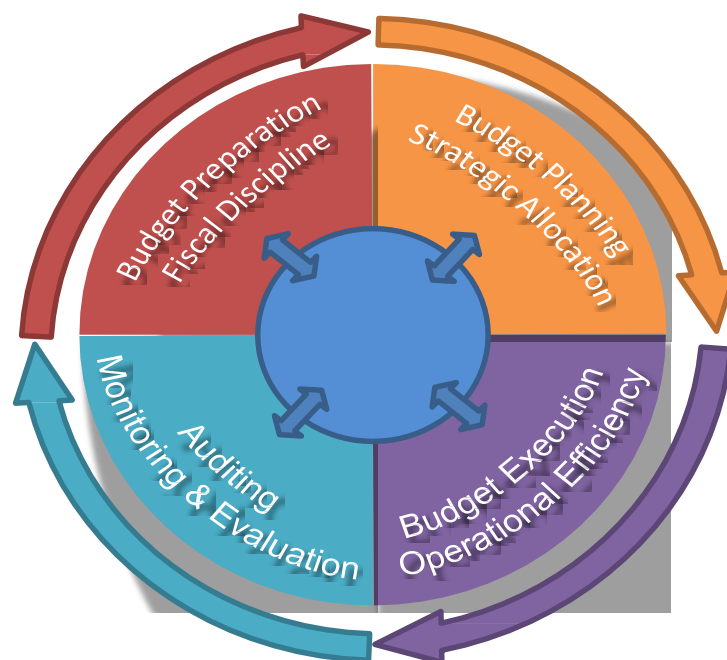
PFM comprises a legal framework and a set of institutions (laws, processes, procedures, government entities, public officials, and IT systems) to help prepare, plan, approve, execute, and control the national budget (See **Chart 1**). PFM includes all the components of a country's budget process, both “upstream” (preparation, planning, and programing) and “downstream” (execution, revenue management, accounting, reporting, controlling, and monitoring and evaluation).

The following review goes through each stage of the budget cycle to identify weaknesses and strengths in PFM, as well as to examine the reforms and adjustments proposed by the GOSL. This is crucial in order to evaluate the challenges ahead and recommend targeted opportunities and interventions in the form of technical assistance (TA), particularly in cases where there are potential gains for severing the ties between weak PFM and corruption.

Within the budget cycle, PFM applications and implementation are responsible for:

- Understanding and formulating revenues, expenditures, and public debt ceilings;
- Linking the budget process and resource allocation with governmental strategies (National Development Plan or NDP);
- Preparing and approving the budget;
- Procuring public goods and services;
- Managing cash and monitoring expenditures;
- Accounting and reporting;
- Performing internal and external audits;
- Monitoring and evaluating results;
- Ensuring input and oversight by legislative bodies and civil society organizations; and
- Enforcing transparency and accountability.

Figure 1. PFM – The Budget Cycle



Source: USAID. *Guide to Public Financial Management*. Bureau of Economic Growth, Education and the Environment. Office of Economic Policy. Capacity Building Division. October 2014. Page 3.

This assessment examines the operations and contribution of PFM institutions in Sri Lanka to meet the main objectives of the government’s fiscal policy through the preparation, planning, execution, and auditing of the national budget. The assessment details and follows the six critical dimensions of performance of an open and orderly PFM system established in the Public Expenditure and Financial Accounting<sup>5</sup> Performance Measurement Framework, as described below, and adds “transparency” as a seventh distinct dimension.

1. *Credibility of the budget* - the budget is realistic and is implemented as intended.
2. *Comprehensiveness* - the budget and the fiscal risk oversight are comprehensive.
3. *Policy-based budgeting* - the budget is prepared with due regard to government policy.
4. *Predictability and control in budget execution* - the budget is implemented in an orderly and predictable manner, and there are arrangements for the exercise of control in the use of public funds.
5. *Accounting, recording and reporting* – adequate records and information are produced, maintained, and disseminated to meet decision-making control, management and reporting purposes.
6. *External audit* - arrangements for scrutiny of public finances and follow up by executive institutions are fully operational.
7. *Transparency* - fiscal and budget information is accessible to the public.

<sup>5</sup> Public Financial Management. *Performance Measurement Framework* (Rev: January 2011). PEFA Secretariat. Washington DC. USA. Page 2.

# THE CURRENT STATE OF PFM IN SRI LANKA

## 1.1 CURRENT ECONOMIC GROWTH IN SRI LANKA

Sri Lanka has experienced an increase of its annual budget over the past decade with some highlights noted below:

- The GDP growth rates of 7.3 percent in 2013 and 6.2 in 2012<sup>6</sup> are high in comparison to international standards. Future growth is expected to remain around 7 percent and inflation rates in the mid-single digits.
- The increase in economic growth is explained by a high rate in private savings and investment, both percentages being nearly 30 percent of GDP<sup>7</sup> in 2010-2013 timeframe, which is impressive even by Asian standards. In addition, public investment is currently about 5 percent of GDP and is expected to grow up to 6.5 to 7 percent<sup>8</sup> of GDP in the coming years in order to keep up with economic growth rates.
- According to IMF's Sri Lanka country report, the country's external position has strengthened in the past two years with the current account deficit improved from 6.7 percent in 2012 to 3.9 percent in 2013. In addition, recovery is underway on the export side while imports have decreased by 6.2 percent. In addition, remittances have increased to account for 8.4 percent of GDP. The Central Bank of Sri Lanka (CBSL) has strengthened its position through the issuance of new external debt, enabling the rupee to remain stable vis-à-vis the USD. While tax revenue fell by 1.5 percent of GDP, tight control over spending has allowed the GOSL to consolidate its fiscal accounts and employ capital spending cuts in order to meet its budget goals.

Despite good macroeconomic metrics, wealth and welfare have not trickled down to poor groups especially in rural areas. Therefore, the past and current economic models employed by previous governments need to be reconsidered. Sri Lanka is in need of a new inclusive macroeconomic model, and consequently, a strategic plan that advances equitable economic opportunities to all.

## 1.2 GOVERNMENTAL AND MOF INSTITUTIONAL CAPACITY

The present capacity of MOF is insufficient and inadequate to manage the expansion, implementation, and oversight of the national budget, which has grown dramatically in size and

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<sup>6</sup> IMF. Sri Lanka Country Report No. 14/285. 2014.

<sup>7</sup> Article IV. IMF. Table 1. Sri Lanka: Selected Economic Indicators, 2011–19, 149.

<sup>8</sup> Ibid, 13, 15.

complexity over the last ten years.<sup>9</sup> The regulatory framework, information technology (IT) capacity, and human resources to elaborate and execute the budget have seen few updates over the past twenty years. There have been some efforts to modernize management and operations at the MOF. A proposal to reform budget regulations, which included revisions to financial regulations and its supporting practices manual, was presented to the Parliament in 2013. The proposed reforms are currently pending approval by Parliament and the Cabinet, respectively.

In addition, there is an ongoing project to introduce a Financial Management Information System (FMIS) to systematize budget processes and procedures throughout the public administration. The FMIS project commenced more than two and a half years ago and is expected to be rolled out in the fall of 2015. Historical experience in other countries has shown FMIS implementation to take an additional two to three years to roll out the model throughout line ministries and the GOSL administration; however, the MOF prefers a more aggressive timeline. Finally, the number of employees within the MOF has more than doubled in the past years.<sup>10</sup> This has not contributed to significantly increasing the ministry's efficiency given the lack of knowledge, experience, and training of the new employees. Currently, the MOF still uses a manual, paper-based process to transmit decisions to line-ministries and government agencies and to receive updates from them.

### **1.3 PROCUREMENT CAPACITY**

The past Sri Lankan government was able to work around legal obligations with regards to procurement and budget processes in order to contract complex and costly public works. This has raised numerous public concerns in terms of transparency and rule of law. In order to respond to increasing infrastructure demands (roads, railroads, ports, airports, energy, etc.), the past government was granted permission by the Parliament to bypass procurement regulations and choose the firms responsible for developing the ensuing projects, as well as to establish the contract price and financial terms and conditions. Unfortunately, this discretionary power was not monitored due to the Parliament's lack of political will to exert its rightful power to scrutinize governmental practices, as well as the absence of checks and balances typically employed from the Auditor General's Department (AGD). This unusual way of conducting governmental business has led to increased suspicion from the public and has created inefficiencies, mismanagement, and the perception of corruption (investigations pending) by high ranking officials.

### **1.4 CIVIL SOCIETY AND PUBLIC STAKEHOLDERS ENGAGEMENT**

Civil society and stakeholders in general have not been able to serve in an advocacy capacity or exert power over budget planning and implementation largely due to unavailability of relevant, complete, and timely fiscal and budget information, a problem that is related to the inadequate record-keeping capacity of the MOF and the limited capacity of the AGD to examine and publish properly audited figures. Despite efforts undertaken by specialized NGOs such as Transparency International, until recently, civil society has not served a major role in commenting on governmental policies and practices, nor in questioning and scrutinizing governmental actions.

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<sup>9</sup>IMF's Article IV for year 2013 and 2014 figures are similar to the data released by the CBSL. However, CBSL is the only source which provides data that numbers from the past ten years.

<sup>10</sup> The statement is based from interviews with GOSL officials.

This rather weak presence and performance by civil society is also due to the complexity of some government actions and their shadow operations, which demand specialized expertise and extra effort to uncover. The complexity and obscure budget process also reveals a highly fragmented public administration where critical line ministries operate independently of the MOF and have the ability to commit resources above allocated ceilings, while the central administration is uninformed. The lack of understanding and oversight of these issues by civil society is compounded by the inability of media and journalists to present a sound voice, accessible narrative, and analysis of facts.

## **1.5 PFM AND PUBLIC RESOURCES**

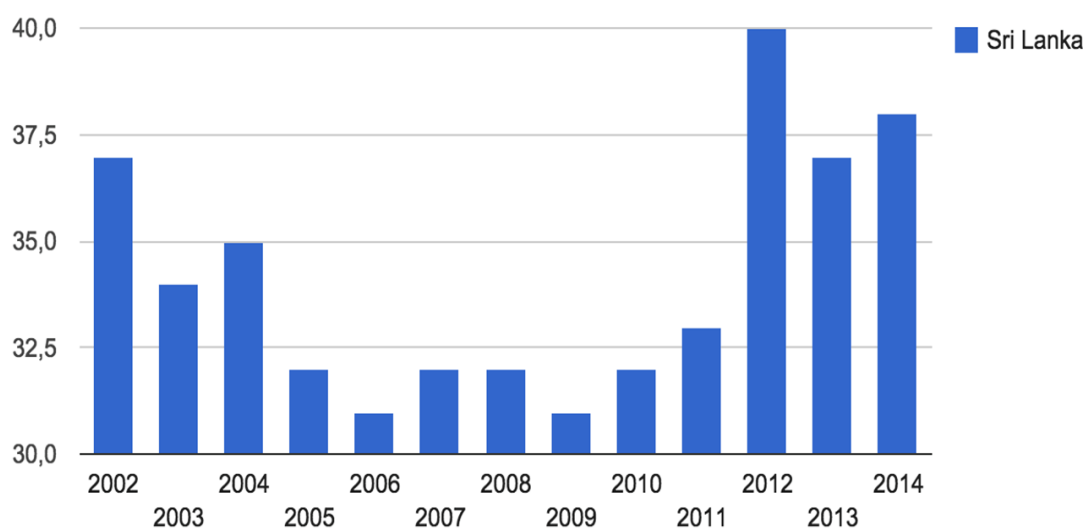
PFM in Sri Lanka is fragmented and unable to ensure adequate and efficient use of public resources. The three objectives of PFM -- fiscal policy, strategic allocation, and operational efficiency -- are not integrated. The PFM administration which includes applications of processes and procedures is rather obsolete, promoting lack of operational consistency in line ministries and agencies. Furthermore, mismanaged organizational changes tend to promote further degradation of the whole budget management structure as new civil servants and political appointees tend to take time to learn the system they operate in or initiate changes without taking into account the limitations and opportunities of the current system and operations.

PFM is also highly discretionary as line ministries and agencies can make separate decisions and work under their own operational rules, deciding on projects, surpassing budget ceilings, and controlling allocation and the flow of funds. On the surface, the decentralized approach allows for flexibility at the line ministries. However, planning resources, spending funds unaligned with a national strategy, and disregarding budget constraints, all introduce financial risks that initially appear as fiscal imbalances but in fact, can be interpreted as mismanagement and misappropriation of public resources by high ranking officials in charge of those entities.

## **1.6 PFM AND CORRUPTION**

The above review of PFM practices in Sri Lanka helps to explain the broad and growing perception among the population that high ranking officials, especially from the previous government, have used public office and resources for personal gain. The wide spread concern about corruption by Sri Lankans has been confirmed by the ranking of different corruption indexes applied by the World Bank in member countries (See Annex B). In particular, for Sri Lanka, the Corruption Perception Index that shows the perception of public sector (administrative and political) corruption is 37.5 out of 100 possible points in 2014 which places the country in the second group from the bottom, of the most corrupt countries in the world.

**Figure 2. The Corruption Perception Index: Sri Lanka**



Source: World Bank Governance Indicators ([www.govindicators.org](http://www.govindicators.org))

In the PFM field, it is well known that the risk of corruption permeates every component of the PFM cycle with public expenditure. Public investment often offers the best opportunities for corruption. Such opportunities can present themselves starting from the decision to invest, all the way down to procurement, treasury management, audits, operations and oversight of projects. In this regard, the weaker the PFM system, the greater the opportunity for misusing public power for private gain.

Corruption is defined as “the abuse of public power (or public office) for private gain,” which focuses on the activities of governmental agencies and their interaction with the general public<sup>11</sup>. Contrary to plain robbery, corruption brings about a continuous, systemic appropriation of public resources by a network of individuals that enjoy financial or other incentives to expand their activities. In this systemic view, corruption emerges as a core feature of parallel structures and allegiances, which have only a tangential relationship with formal state structures.

Once the process starts, institutions, norms, processes, and procedures, are used to serve such illicit behavior and corruption ends up controlling the entity, activities, and officials. Once corruption and its networks start thriving, officials have the choice to join, ignore it, or quit the corrupt system with tremendous impact for the organization and the provision of services.

The first duty for a government, and particularly in a democratic regime, is to assure its constituencies that the public resources are not being diverted for private ends or misallocated to activities not conducive to promote growth and reduce poverty. As stated by a high ranking official, “fighting corruption successfully in Sri Lanka is vital for the stability of the present government.”

<sup>11</sup> USAID. *Anticorruption Assessment Handbook*. Final Report. February 28, 2009.

As it has been repeatedly proven, the most effective way to combat corruption is to reduce the opportunities and incentives for it to flourish and to strengthen transparency and oversight mechanisms. It should be taken into account that in Sri Lanka most of these opportunities arise from outdated and obscure regulations. Therefore, the fight against corruption must focus on identifying those gaps in the PFM procedures and addressing them with concrete measures and improvements to reverse the perverse incentive structure.



# SRI LANKAN GOVERNMENT REFORMS

The new government is under significant pressure to address issues of corruption lingering from the previous government. The focus on corruption has been largely retroactive, looking at asset recovery, bribery investigations, etc. Due to a variety of reasons, including inadequate staff capacity, increased workload of the new government, heightened focus on the “100 day plan,” and upcoming parliamentary elections, the GOSL has not been able to focus its work on prevention methods or improving PFM as a way to reduce opportunities for corruption. While the GOSL has identified some broad issues to tackle and has publically articulated its political will for change, metrics and implementation plans for reform have not yet been developed. That said, the GOSL has introduced some vital reforms for parliamentary approval that can help to solve some of the problems identified in the report. It has also supported other reforms already submitted for approval in the parliament, and it is in the process of developing others which could contribute to improved PFM and decreased corruption.

The most important new reforms are:

1. The reform on procurement regulations and the configuration of a National Procurement Commission at a constitutional level;
2. The National Audit Bill and the configuration of an Audit Commission;
3. The Right to Information (RTI) bill;
4. The Code of Conduct for Civil Service;
5. The reinvigoration of the Commission to Investigate Allegations of Bribery or Corruption (CIABOC), Financial Crimes Investigation Department (FCID), Special Task Force on the Recovery of Assets (STARTS), and the Commission of Inquiry.

In the second group, the notable reforms already in process are:

1. The budget regulations bill which includes two components: a) financial and b) procedural;
2. The implementation of a FMIS<sup>12</sup> that will introduce a complete modernization of budget processes and procedures once it is finished.

Finally, there are some other measures still in process, such as the separation of the Directorate of Planning from the MOF; the configuration of the MOPP to develop a strategic plan and provide oversight and roll out of the ensuing Public Investment Programs (PIP) to line ministries and relevant agencies; and a complete review and modernization of the Civil Service Statute.

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<sup>12</sup> The system established with ADB support is called Integrated Treasury Management Information System (ITMAS) which falls into the FMIS category. For the purpose of consistency, the report refers to it as FMIS.

The coverage and content of the reforms proposed by the GOSL demonstrate the desire from the government to confront corruption and its effects. However, PFM is not yet seen as the tool to accomplish such tasks. Similar to many countries in the same transition phase, Sri Lanka envisions acceptance into international bodies and agreements as a way to attain transparency and credibility in the region and globally. The recently proposed reforms have been developed or reviewed by local experts with the support and assistance of multilateral entities (IMF, WB, and ADB among others), as well as well-known NGOs. These organizations have engaged most of the institutions employed in managing public resources along the budget cycle in Sri Lanka in discussions around reforms, and it is important to point out the relevance of such reforms towards better PFM and decreased corruption. Such reforms are needed to establish an inclusive economic model which is fiscally sustainable in the long run. Once the reforms are approved, secondary regulations, capacity building, and enforcement tools are needed before they can be implemented.

In their assessment, local experts concluded that there is a six-month window of opportunity for this government to introduce and pass its reforms through the parliament, after which it will be business as usual. This report is a first step to design an assistance program that helps the GOSL strengthen PFM while reducing opportunities and incentives for corruption. The potential opportunities for intervention in the short and intermediate term are discussed below in the recommendations section and detailed in the tables that follow it.

## **2.1 STRATEGIES TO ENHANCE PFM AND HELP REDUCE CORRUPTION IN SRI LANKA**

The general objective of this assessment is to help the GOSL identify institutional weaknesses in the PFM space prone to corruption and to provide recommendations for TA and capacity building to eradicate them. Because of the magnitude and complexity of the combined PFM management and corruption issue, and due to limited resources and a limited window for GOSL preparation and readiness, we propose focusing assistance efforts on areas related to PFM that also contribute to overall GOSL anti-corruption efforts – procurement of goods and services and auditing. Specifically, the stakeholders and institutions involved in the public procurement process have been identified as one of the areas where abuse of public authority has led to private gains. Like in many other countries, most of the capital budget is subject to procurement laws and regulations put in place by the GOSL. This institutional framework is meant to ensure that policy goals can be achieved at the minimum possible cost. To do so, the procurement framework has to enable a public-private dialogue focusing on competition, transparency, and accountability. This is not the case in Sri Lanka, where bypassing legal requirements is possible thanks to Parliamentary “carte blanche”. This, coupled with weak enforcement capacity, creates opportunities for fraud, waste, and corruption.

The lack of independence, means, and enforcement capacity of AGD compounds the problem. Parliament pays little attention to the AGD’s untimely and immaterial recommendations, so the GOSL rarely implements them. As a consequence, corruption finds fertile ground in this unimposing and obscure regulatory environment, which is easy prey for discretionary decision-making by opportunist high-ranking officials.

The opportunity for international cooperation and assistance to support the GOSL's efforts to reduce corruption is timely. Widespread popular allegations against corruption and wrongdoers have provided the GOSL with an opening to push through reforms and efforts that would be otherwise ignored. The recommendations in the following section outline an assistance program that seeks to help the GOSL identify and eliminate opportunities for future corruption, which further complements ongoing GOSL efforts focused on investigating and indicting previous wrong doings.

# RECOMMENDATIONS

### 3.1 RECOMMENDATIONS ON AREAS OF INTERVENTION

The recommendations presented below complement GOSL's efforts to establish a financial system (FMIS) to systematize and integrate the execution of the budget as well as treasury and accounting operations. Having one centralized body that deals with such undertakings will avoid thereafter shadow operations. The recommendations below also support GOSL's recent efforts to re-establish the Ministry of Policy Planning by reintroducing a long-term strategic vision, and consolidating long-term credit operations. Such efforts enhance efficient and effective public resource management and also reduce the discretionary power of the ministerial operational units and their fragmentation, reducing further the opportunities for inefficient management and corruption. For a full list of recommendations, please see the tables following this section.<sup>13</sup>

*1. Promote an enabling regulatory framework for procurement and auditing.* In a well-functioning PFM system, procurement regulations must enhance:

- 1) Competition in the tender process amongst bidders in order to reach the best price and value to the GOSL;
- 2) Flexibility to negotiate and manage contract terms and conditions; and
- 3) Capacity to enforce contract terms by the procurement authority.

Likewise, the AGD should be able to collect and analyze evidence to ensure proper checks and balances are in place and that the governmental contracts operate efficiently and in compliance.

Once the audit and procurement reforms are submitted to the Parliament for approval, the first priority to ensure proper implementation of the procurement reform is to make sure that systematic coordination is in place between the legal and executive institutions responsible for procurement regulations reform - the National Procurement Commission, the Audit Commission, and the National Audit Bill. Once reforms are passed in the Parliament and Commissions are established, a capacity building program is needed to train high-ranking officials and civil servants in the implementation of the regulatory framework, especially in line ministries and agencies responsible for capital budget expenditures. Special attention should be given to provide adequate IT and logistics support to MOF, line ministries, and relevant state agencies.

*2. Develop the Parliament's capacity to oversee PFM and efficient budget planning and execution matters.* The Parliament is the responsible legal entity for scrutinizing governmental activities, especially those related to the allocation and execution of public resources. This function is currently not being exercised by the Sri Lankan parliament which lacks the ability

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<sup>13</sup> The full list of recommendations are not solely aimed at USAID. These are gaps which could be addressed by the GOSL, other USG entities, or other donors.

and inclination to do so. An active and engaged parliament is an essential factor in the development of governmental efficiency, effectiveness, and integrity in regards to public resources management. The Parliament is the body where the AGD presents its audit findings for examination and further action. Unfortunately, the current practices in Sri Lanka do not allow for an opportunity to seek Parliament's input and participation in PFM matters, including oversight, timeliness, transparency, and budget execution matters.<sup>14</sup>

The priority of any assistance program is typically focused on eliminating shortcomings and improving current governmental operations, therefore, gaining constituency support for further reforms. Any potential assistance program in Sri Lanka should initially consider providing TA to fully understand and improve procurement matters as they pertain to the 2015 projects. The projects to be initially analyzed should be selected based on a specific budgetary threshold. Gradually, the analysis can be extended to programs which cover the entire capital budget, and then move towards assistance which can help the GOSL spending and operations as a whole. This gradual approach allows for "quick wins" the government can utilize to push forth the budgetary and procurement reforms while sorting through complex operational and political matters, properly using its limited resources, and gaining sufficient experience to scale-up. This approach would also diminish the misperception that procurement and auditing are obstacles to government efficiency and effectiveness, further supporting GOSL buy-in of any future assistance programs.

*3. Assist in raising awareness about the procurement process to stakeholders including GOSL officials, civil society, and media.* Actors involved in the procurement process include high ranking officials making decisions on strategic capital spending, members of the parliament exerting their responsibility to examine, approve and evaluate budget spending, public servants in charge of applying and enforcing regulations, and civil society stakeholders. The abovementioned procurement actors should be trained on the importance of following procurement and budget regulations to comply with their responsibilities and advocacies as well as the implications resulting from non-compliance.

This recommendation contemplates the production of legal documents distributed in line ministries about the procurement process, as well as the design of awareness campaigns, including seminars and workshops in training format for officials and other interested stakeholders. If there is enough buy-in from the GOSL, it can include a public statement and political commitment in the form of an anti-corruption platform.

*4. Support the GOSL in enhancing the quality, timeliness, and access of budget and procurement information to the public, while training the media and civil society to analyze and report on the information.* During the assessment process, three elements were identified that help explain the widespread lack of credibility of related budget and procurement information. They include the poor quality of fiscal and budget information available, obscurity in communications about government business and deals, and incomplete and insufficient media coverage of fiscal issues. All of these factors contribute to the inability and lack of understanding from the public to further pursue the matter and hold the government accountable. Media scrutiny, similar to many

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<sup>14</sup> Interviewees noted that preparation was underway to increase transparency of committee hearings and introduce changes to the standing orders of the Parliament to improve oversight function of committees on public finance. Members of Parliament were not interviewed during this assessment.

countries in transition, in addition to governmental inefficiency and ineffective oversight, is completely missing, undermining some crucial elements of what is considered to be good economic governance.

In this regard the recommendations for assistance include TA at the ministerial and agency level to improve information distribution to the media and public regarding budget and governmental spending, support to the GOSL to develop and implement a RTI platform in Sri Lanka, as well as support media outlets, journalist associations, NGOs, local experts and academics, in improving their capacity to report on budget and procurement issues.

## BUDGET PREPARATION AND APPROVAL

Issue	Challenges	Current Efforts	Recommendations
<p><b>1. Lack of adequate budget institutions (norms, processes and procedures) for budget planning and execution</b></p> <p>The legal framework and executing institutions responsible to draft and execute the budget are not fully operational and lack coordination.</p> <p>Despite positive economic growth in GDP terms, Sri Lanka's debt has increased over the last ten years and according to IMF, it has surpassed international standards thresholds.</p> <p>The institutions responsible for budget planning and execution have lost control over spending and debt issuance, have lost credibility, leading to opacity and lack of transparency, contributing to inefficiency, mismanagement and the heightened perception of governmental corruption.</p>	<ul style="list-style-type: none"> <li>Budget norms and procedures are outdated and focused on ex-ante controls.</li> <li>Special interests overrun budgetary, procurement, trust funds, and the public employment legal framework.</li> <li>Revenue collection is decreasing due to the increased number of exemptions and special cases. Revenue is over-estimated by the GOSL which requires adjustments to budget, budget is not credible. (Tax forecasts vary for 2014 depending on the source of the data).</li> <li>Increased budgetary shadow operations and dispensable procurement regulations.</li> <li>Lack of coordination between line ministries, MOF/Treasury, and MOPP.</li> <li>Optimistic budget forecasts continuously demand financial supplements while checks and balances and accountability mechanisms are absent.</li> <li>No coordination between budget planning and implementation of projects, no oversight and evaluation mechanisms in place.</li> <li>Lack of information and analysis of contingencies related to PPPs,</li> </ul>	<ul style="list-style-type: none"> <li>Approved Act on Fiscal Responsibility in 2012, providing a framework to examine fiscal discipline.</li> <li>IMF technical assistance on tax reform and tax administration strengthening.</li> <li>IMF support on institutional reform including financial regulations and practice manual proposed in 2012, currently awaiting approval by parliament and the cabinet.</li> <li>IMF support on strengthening state-owned enterprises (SOE) performance.</li> <li>IMF support in improving statistics gathering and reporting.</li> <li>ADB was providing support on Revenue Administration Management Information System (RAMIS) as well as HR development on subject-specific knowledge and change management are taking place in the Inland Revenue Department. The activity is currently inactive.</li> <li>ADB support for FMIS aims to provide efficient management of government resources, focusing on budget execution, treasury transactions and accounting, expected to be in place by September 2015 with a roll out</li> </ul>	<ul style="list-style-type: none"> <li>Support the MOF through TA to implement new budget regulations and procedures once the new legal framework is approved by the parliament.</li> <li>Support the roll out of new regulations and procedures pertaining to the Fiscal Responsibility Act to line ministries and relevant agencies.</li> <li>Provide TA in the form of equipment, training and management to enhance tax collection and administration in order to increase revenue.</li> <li>Support the implementation of a multi-year approach for budgeting.</li> <li>Support the process of PFM modernization including tax management, strengthen institutional capacity to improve budget planning and execution, accounting, procurement, treasury, auditing and monitoring and evaluation as well as IT systems.</li> </ul>

Issue	Challenges	Current Efforts	Recommendations
	<p>missing strategic budget management.</p> <ul style="list-style-type: none"> <li>• Inability to develop multi-year budgeting.</li> </ul>	<p>schedule in line ministries and later on to the whole public administration institutions. This timeframe is extremely ambitious.</p>	
<p><b>2. Nonexistent checks and balances mechanisms on budget planning, approval and oversight processes by the parliament.</b></p> <p>The parliament is not structured to provide analysis and support in regards to budget matters and oversight (revenue, expenditures and debt management).</p>	<ul style="list-style-type: none"> <li>• No distinct structure of duties and responsibilities, no delegation of authority amongst institutions and lack of incentives for members of the parliament to oversee budget planning and execution.</li> <li>• There is no designated budget office or standing committee to properly exert control and provide oversight on the budget. The budget is approved on an ad-hoc basis by a committee that meets inconsistently.</li> <li>• Perceived politicized stances by the parliamentary members, serving the government's interests.</li> </ul>		<ul style="list-style-type: none"> <li>• Develop the parliament's capacity to oversee PFM matters, enhancing the oversight of parliamentary committees, especially of those responsible for budget planning, approval and execution. Support should include parliamentary committees in charge of following up with AGD recommendations.</li> <li>• Provide support to the design and implementation of an institutional reform to enhance the parliaments' capacity and willingness to review, analyze and oversee budget execution.</li> </ul>



## PLANNING: STRATEGIC ALLOCATION OF RESOURCES

Issue	Challenges	Current Efforts	Recommendations
<b>1. Lack of GOSL strategic vision on economic, social and political issues to guide the allocation of public resources as well as the institutional and organizational framework to support it.</b>	<ul style="list-style-type: none"> <li>There is no national strategy or a development plan used during the past years. In addition, there is a lack of a coherent long-term strategy. Inconsistent discretionary decisions about public investments are made by public officials and there are no accountability mechanisms in place which increases the perception of corruption.</li> <li>Functions of cash management planning of the Treasury have been downgraded and responsibilities of high-ranking officials and institutions are not clear.</li> <li>Insufficient information and capacity in line ministries to conduct sectorial planning.</li> <li>Lack of credibility of national statistics and reporting.</li> <li>Large gap between political campaign promises and delivery of services, i.e. agricultural field.</li> <li>Reduced budget shares in all sectors but national defense.</li> </ul>	<ul style="list-style-type: none"> <li>Re-establishment of the MOPP under the supervision of the Prime Minister's office, responsible for the planning and development of a Medium-term Expenditure Framework (MTEF) and PIP in addition to exercising control over external funding.</li> <li>GOSL is developing a new economic model focusing on the market economy aiming to share growth and wealth through well-paid jobs while seeking social justice.</li> <li>The Planning Directorate has been shifted from MOF to MOPP. Further analysis can pinpoint if the Directorate can serve a coordination role amongst the relevant actors and ministries.</li> <li>TA MOU signed with Singapore's Planning Authority.</li> <li>IMF support towards the operational and technical improvement of the National Statistics Office.</li> </ul>	<ul style="list-style-type: none"> <li>Foster the discussion of a national strategic plan with stakeholders and donors.</li> <li>Conduct a rapid assessment of line ministries and relevant agencies in regards to their technical and operational capacity.</li> <li>Design a capacity-building assistance program for line ministries and agencies to assist them identify, pre-assess and evaluate future projects and programs.</li> <li>Assist GOSL to establish efficient control mechanisms to diversity its project funding and oversee the use of external funding from multilateral agencies, donors and other sources.</li> <li>Support through TA the development and implementation a PIP within the Medium-Term Fiscal Framework (MTFF). This can include a multi-year planning approach adding to MTEF.</li> <li>Support the MOPP to design an efficient and functional structure and long-term budget strategy.</li> <li>Establish clear communication channels between MOPP and MOF to discuss budget planning and execution. The Planning</li> </ul>

			<p>Directorate should be the medium for all coordination.</p> <ul style="list-style-type: none"> <li>• Support the GOSL is developing a new economic model focusing on the market economy aiming to share growth and wealth through well-paid jobs while enforcing social justice. This can be done via a two-pronged approach: 1) differentiation of regional infrastructural provision and 2) offer public services such as education, health, etc. for low-income population.</li> <li>• Prepare regional indicative plans that efficiently disperse resources to meet the goals and objectives of the national strategy.</li> </ul>
<p><b>2. Insufficient capacity of GOSL to manage public investment funds from CBSL and external funding sources.</b></p>	<ul style="list-style-type: none"> <li>• Limited control over public debt policy and management. CBSL is perceived to be highly politicized and line ministries and agencies have been able to make direct funding arrangement for their own projects. Public debt has increased beyond acceptable international standards.</li> </ul>		<ul style="list-style-type: none"> <li>• Work with MOPP to reform CBSL by: 1) strengthening its independence by establishing new practices for the appointment of CBSL' governor and board members, and 2) remove existing conflicts of interest within the CBSL when it comes to the management of public debt employees' provident fund.</li> </ul>

## BUDGET EXECUTION: PROCUREMENT

Issue	Challenges	Current Efforts	Recommendations
<b>1. Lack of institutional capacity to promote tender competition and retaining the best value for the GOSL.</b>	<ul style="list-style-type: none"> <li>There is a current Constitutional Act allowing “strategic” projects with unsolicited proposals to skip procurement regulations including competition. In addition, high-ranking officials have the discretionary power to define “strategic” projects.</li> <li>Lack of proper procurement procedures that has led towards unsolicited proposals promoting inefficiencies and the perception of corruption.</li> <li>GOSL has been bypassing procurement regulations and exercising discretionary approvals of contracts.</li> </ul>	<ul style="list-style-type: none"> <li>GOSL proposal to increase the status of the current procurement authority to a constitutional level. This proposal aims to establish a National Procurement Commission (NPC) under the 19th Amendment of the Constitution with the focus of reducing corruption and fraud in the procurement process. This Commission will be entrusted with the responsibility of formulating procedures for procuring goods and services for governmental entities aiming to support a more transparent, cost effective and competitive process.</li> </ul>	<ul style="list-style-type: none"> <li>Support the current GOSL effort to establish a NPC.</li> <li>Develop capacity-building programs for the procurement authority to develop sound regulations and guidelines for procurement that promote tender competition and provide the best value to GOSL.</li> <li>Support GOSL in implementation of regulations.</li> <li>Assist GOSL in choosing appropriate IT procurement systems and provide IT systems training.</li> <li>Train public officials in understanding the importance of enforcing procurement regulations.</li> <li>Train civil society/media to understand complex procurement procedures in order to advocate for transparency.</li> </ul>

## BUDGET CONTROL: AUDITING AND MONITORING AND EVALUATION

Issue	Challenges	Current Efforts	Recommendations
<b>1. Lack of ongoing audits.</b> The last audit reform in Sri Lanka was completed in 1992.	<ul style="list-style-type: none"> <li>The focus is on ex-ante legal compliance by line-item, and ex-post numerical consistency.</li> <li>Audit reports are late by up to three years.</li> <li>The parliament does not enforce report recommendations and there is no accountability or follow up.</li> <li>Lack of monitoring and evaluation in regards to budget execution.</li> <li>Weak or missing M&amp;E systems that would better inform budgetary planning and execution.</li> </ul>	<ul style="list-style-type: none"> <li>With the support of WB, a National Audit Bill has been prepared and is included in the 100 days program of the new government. The key elements of the bill establish:                             <ul style="list-style-type: none"> <li>a) independence of the AGD duties and responsibilities, b) sufficient authority to undertake all audit functions, c) effective recruitment and promotion of AGD staff;</li> <li>d) preparation and inclusion in the national budget of AGD's financial forecasts by the Commission for Incorporation which are later submitted in the parliament via its speaker, e) unrestricted access to information.</li> </ul> </li> <li>Proposal to establish an Audit Commission under the 19<sup>th</sup> Amendment.</li> </ul>	<ul style="list-style-type: none"> <li>Review and diagnose the technical and operational capacity of AGD to fulfill its proper functions and utilization of planned resources.</li> <li>Support the current GOSL effort to establish an Audit Commission.</li> <li>Modernize the AGD by supporting the following:                             <ul style="list-style-type: none"> <li>a) assist in the implementation of international standards; b) establish risk-based performance management mechanisms for external audits, c) raise awareness within the parliament and GOSL to support audit and follow up on recommendations, d) introduce institutional reforms for result-oriented budgeting within the MOF.</li> </ul> </li> </ul>

# TRANSPARENCY

Issue	Challenges	Current Efforts	Recommendations
<p><b>1. Ongoing lack of financial transparency on budget planning and execution as well as financial decision-making.</b></p> <p>The public does not have access to information on previous, current, and projected GOSL financial matters. The budget information available is untimely and incomplete.</p>	<ul style="list-style-type: none"> <li>Budget integrity is questioned due to shadow, on-the-side operations.</li> <li>Public documents that should be available are not easily accessible, a formal request with a supporting justification has to be made to the relevant institution.</li> <li>Information sharing between ministries is difficult (physically, because of use of paper, and an unwillingness)</li> <li>Fiscal reporting is inadequate to identify nonconformities between actual revenue and expenditure and the approved budget.</li> <li>The integrity of fiscal information is not subject to public and third-party review.</li> <li>The general perception of the public is that public statistics, including CBSL data, lacks credibility. GOSL does have a relatively large amount of reports available online, but integrity of data is questionable.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of the RTI bill. The proposed law aims to grant every citizen "a right of access to official information which is in the possession, custody or control of a public authority". Under the proposed law, an RTI Commission will be created to monitor the implementation of the law, and public information officers will be appointed in each ministry to provide the required information to the general public.</li> <li>With IMF support, GOSL is promoting the creation of an Independent Department of National Statistics.</li> </ul>	<ul style="list-style-type: none"> <li>Review current list of published reports as stock taking/gap analysis.</li> <li>Support the development and implementation of a strategic plan to provide the public with full access to information on previous, current, and projected financial activity. This will contribute to the distribution of quality information and enforce governmental accountability.</li> <li>Support via public information campaigns the development and implementation of the RTI bill and Commission in Sri Lanka. India may be a model.</li> <li>Enhance the media's and NGO capacity to examine and report on public budget information.</li> <li>Raise awareness through trainings of governmental officials to understand and support the government's responsibility in providing the public with accurate and timely information.</li> </ul>

# CORRUPTION

Issue	Challenges	Current Efforts	Recommendations
<p><b>1. Increasing public perception of corruption.</b></p> <p>There is a general and growing perception that high ranking officials, especially from the previous government have used public office and resources for personal gain. According to a study conducted by Transparency International in Sri Lanka, 62 per cent of respondents stated that the government's handling of corruption failed to meet their expectations (Weakened FT, 11- 4- 2015) . A similar study BT &amp; RCB POLL, 72 % of the respondents considered that the government has not succeeded in dealing with corruption (Business Time, 4- 12- 2015).</p>	<ul style="list-style-type: none"> <li>• PFM is not yet perceived as the best tool to be utilized to address corruption concerns.</li> <li>• The new generation of civil servants is perceived to be highly politicized and needs technical training to perform their jobs.</li> <li>• Political employment decisions affect the quality of civil servants and governmental technical capacity.</li> <li>• Missing HR development policy for civil servants.</li> <li>• New efforts at addressing corruption, bribery, and financial crimes are not well coordinated, Agencies have unclear and overlapping mandates.</li> <li>• Lack of sophistication and technology to effectively and efficiently do their jobs (typewriters, lack of simple front-end and database software to collect, process, and track public inquiries.</li> </ul>	<ul style="list-style-type: none"> <li>• GOSL is committed to fighting corruption.</li> <li>• Current GOSL ongoing efforts to strengthen and introduce four anti-corruption: 1) Anti- Bribery Constitutional Commission, 2) Investigation FCID, 3) Asset Identification and Recovery Unit (START), Commission of Inquiry.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify current gaps within the PFM system and design a strategy to address them (see recommendations above).</li> <li>• Capitalize on GOSL's commitment to address procurement competition and launch an anti-corruption awareness campaign for public officials.</li> <li>• Strengthen communication channels and coordination to foster synergies between governmental entities responsible for dealing with corruption matters. This will require an analysis of the current efforts, legal mandates, and needs.</li> <li>• Enhance the media's and NGOs' capacity to analyze, discuss, and bring corruption and related issues to the attention of the public.</li> </ul>

### **3.2 RECOMMENDATIONS FOR USG OPERATIONS**

The U.S. Government (USG) is committed to supporting the GOSL in their reform efforts. The USG is taking a whole of government approach, requiring additional staffing and funding above the current levels to manage the programs and coordination of efforts and to address key areas of reform. A three-year USG “Anti-Corruption Action Plan” for Sri Lanka would be useful in aligning the interagency with the GOSL and donor efforts. Embassy Tbilisi established such a plan and could be a good model for Sri Lanka. A PFM-focused donor coordination group, led by the World Bank, is also recommended. There are many donors that are now just beginning to reactivate their PFM programs given the new opportunities for reform. To avoid overlap and leverage respective programs, a focused donor group should be established that would meet outside of the broader coordination groups. The World Bank is well placed to lead this group given their experience in PFM in Sri Lanka and showed enthusiasm during our interviews to take on this role. Lastly, there are other donors and partner Embassies in Sri Lanka that are working on anti-corruption areas outside of PFM, primarily in the investigation and prosecution area. The USG stands out a clear leader in this area.

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## ANNEX B - GRAPHICS AND OTHER DATA

DATA TABLE 1 & 2: EXPENDITURES IN SRI LANKA SOURCE: WB: WWW.GOVINDICATORS.ORG

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Total Expenditure</i>	584.8	713.7	841.6	996.1	1202	1280.2	1433.2	1556.5	1669.4
<i>Current Expenditure</i>	443.4	548	622.8	743.7	879.6	937.1	1024.9	1131	1205.2
<i>Capital Expenditure and Net Lending</i>	141.4	165.7	218.8	252.4	322.4	343.1	408.3	425.5	464.2
<i>Revenue</i>	379.7	477.8	565.1	655.3	699.6	817.3	967.9	1051.5	1137.4
<i>Grants</i>	32.6	30.1	30.5	31.2	25.9	16.9	15.1	16.1	15.9
<b>Total Expenditure and Net Lending</b>	<b>584.8</b>	<b>713.7</b>	<b>841.6</b>	<b>996.1</b>	<b>1202</b>	<b>1280.2</b>	<b>1433.2</b>	<b>1556.5</b>	<b>1669.4</b>
<b>Current Account Surplus (+) / Deficit (-)</b>	<b>-63.6</b>	<b>-70.1</b>	<b>-57.7</b>	<b>-88.5</b>	<b>-179.9</b>	<b>-119.8</b>	<b>-57</b>	<b>-79.6</b>	<b>-67.7</b>
<b>Overall Budget Surplus (+) / Deficit (-)</b>	<b>-172.4</b>	<b>-205.7</b>	<b>-246</b>	<b>-309.6</b>	<b>-476.4</b>	<b>-446</b>	<b>-450.2</b>	<b>-489</b>	<b>-516.1</b>
<b>Total Financing</b>	<b>172.4</b>	<b>205.7</b>	<b>246</b>	<b>309.7</b>	<b>476.4</b>	<b>446</b>	<b>450.2</b>	<b>489</b>	<b>516.1</b>
<i>Foreign</i>	47.8	41.9	100.9	-4.6	230.8	243.8	219	286.5	123.7
<i>Domestic</i>	123.6	163.8	145.1	314.3	245.6	202.2	231.2	202.5	392.4
<i>Privatization Proceeds</i>	1	-	-	-	-	-	-	-	-
<i>Outstanding Government Debt</i>	2222.3	2582.6	3041.7	3589	4161.4	4590.2	5133.4	6000.1	6793.2

DATA TABLE 3: SRI LANKA CORRUPTION INDICATOR DATA Source: WB: WWW.GOVINDICATORS.ORG

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total Expenditure</b>	23.9	24.2	23.5	22.6	24.9	22.8	21.9	20.5	19.3
<i>Current Expenditure</i>	18.1	18.6	17.4	16.9	18.2	16.7	15.7	14.9	13.9
<i>Capital Expenditure and Net Lending</i>	5.8	5.6	6.1	5.7	6.7	6.1	6.2	5.6	5.4
<b>Outstanding Government Debt</b>	90.6	87.8	85	81.3	86.2	81.9	78.5	79.2	78.3
<b>Revenue and Grants</b>	<b>16.8</b>	<b>17.3</b>	<b>16.7</b>	<b>15.6</b>	<b>15</b>	<b>14.9</b>	<b>15</b>	<b>14.1</b>	<b>13.3</b>
<i>Revenue</i>	15.5	16.3	15.8	14.9	14.5	14.6	14.8	13.9	13.1
<i>Grants</i>	1.3	1	0.9	0.7	0.5	0.3	0.2	0.2	0.2
<b>Expenditure and Net Lending</b>	<b>23.9</b>	<b>24.2</b>	<b>23.5</b>	<b>22.6</b>	<b>24.9</b>	<b>22.8</b>	<b>21.9</b>	<b>20.5</b>	<b>19.3</b>
<b>Current Account Surplus (+) / Deficit (-)</b>	<b>-2.6</b>	<b>-2.4</b>	<b>-1.6</b>	<b>-2</b>	<b>-3.7</b>	<b>-2.1</b>	<b>-0.9</b>	<b>-1</b>	<b>-0.8</b>
<b>Overall Budget Surplus (+) / Deficit (-)</b>	<b>-7</b>	<b>-7</b>	<b>-6.9</b>	<b>-7</b>	<b>-9.9</b>	<b>-8</b>	<b>-6.9</b>	<b>-6.5</b>	<b>-5.9</b>
<i>Domestic Debt</i>	51.6	50.3	47.9	48.5	49.7	45.8	42.9	42.7	44.2
<i>Foreign Debt</i>	39	37.5	37.1	32.8	36.5	36.1	35.6	36.5	34.1
<b>Debt Service Payments</b>	<b>14.1</b>	<b>15.1</b>	<b>14</b>	<b>13.4</b>	<b>17.1</b>	<b>14.6</b>	<b>13.7</b>	<b>13.4</b>	<b>13.4</b>
<i>Interest Payments</i>	4.9	5.1	5.1	4.8	6.4	6.3	5.5	5.4	5.3

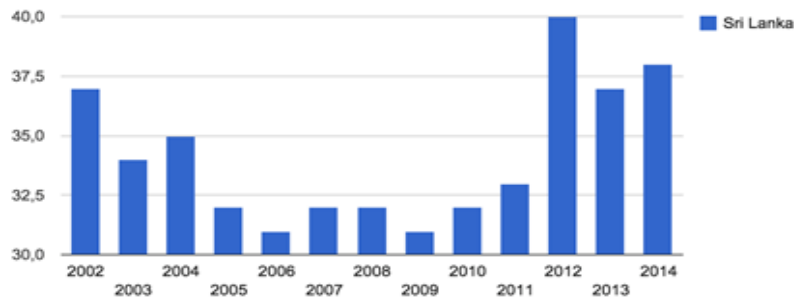
## Corruption

### C. FACTS ABOUT CORRUPTION IN SRI LANKA (SEE GRAPHS)

Sri Lanka shows worrisome levels of corruption according to the indexes reviewed:

- The Corruption Perception Index shows perception of public sector (administrative and political) corruption. The index for Sri Lanka is 37.5 out of 100 possible points which locates the countries in the second from the bottom group of more corrupted countries.
- The Government effectiveness Index (-2.5 weak; 2.5 strong) that shows quality of public services, civil services independence from political pressure and policy quality and government commitment, is -0.2, a figure quite below those shown by Germany, Australia, New Zealand but similar to countries in the same level of income.
- The Rule of Law Index (-2.5 weak; 2.5 strong), captures the perception of the extent to which agents abide by the rule of society (particularly contract enforcement, property rights, the police, the courts and the likelihood of crime and violence); the index in Sri Lanka has been going down since 2002; it hit its minimum value in 2013 (-0.27).
- Similarly the Voice and Accountability Index (-2.5 weak; 2.5 strong), which captures the perception to which citizens are able to participate in selecting their government, freedom of expression, association and media, is falling as well since 2003, reaching -0.62 in 2013.

## Corruption

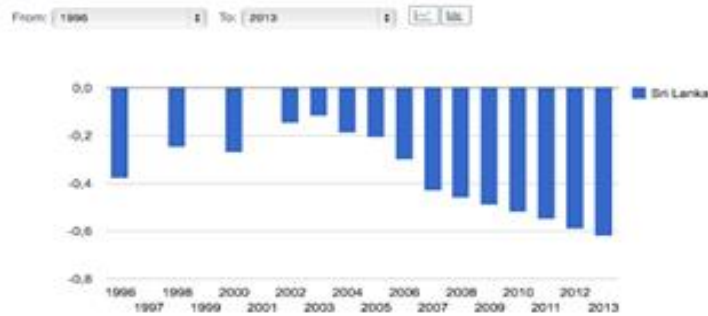


## Corruption

### Sri Lanka Voice and accountability

(points, source: The World Bank (govindicators.org))

**Sri Lanka Voice and accountability index (-2.5 weak; 2.5 strong):** For that indicator, The World Bank (govindicators.org) provides data for Sri Lanka from 1996 to 2013. The average value for Sri Lanka during that period was -0.37 points with a minimum of -0.62 points in 2013 and a maximum of -0.12 points in 2003.

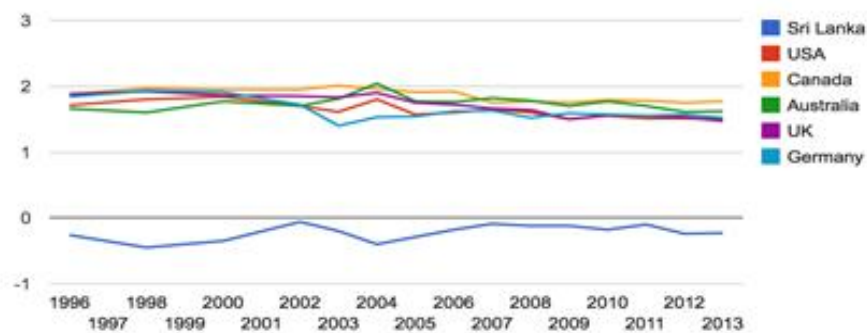


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The index for Voice and Accountability in Sri Lanka captures perceptions of the extent to which the citizens of Sri Lanka are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. [Voice and accountability rankings](#) around the world. Create and download charts for Sri Lanka Voice and accountability and other indicators with the [country comparator](#).

## Corruption

### Sri Lanka Government effectiveness: Compare to other countries



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**Definition:** Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The indicator is based on a list of individual indicators.

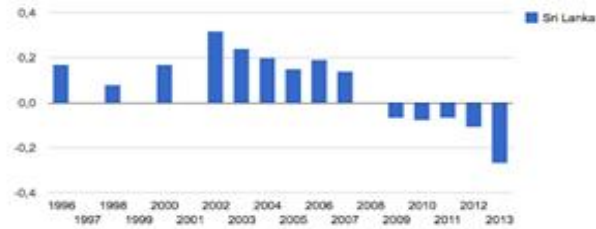
## Corruption

### Sri Lanka Rule of law

(points, source: The World Bank (govindicators.org))

**Sri Lanka Rule of law index (-2.5 weak; 2.5 strong):** For that indicator, The World Bank (govindicators.org) provides data for Sri Lanka from 1996 to 2013. The average value for Sri Lanka during that period was 0.07 points with a minimum of -0.27 points in 2013 and a maximum of 0.32 points in 2002.

From: 1996 To: 2013  



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The index for Rule of Law in Sri Lanka captures perceptions of the extent to which agents in Sri Lanka have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

[Rule of law rankings](#) around the world. Create and download charts for Sri Lanka Rule of law and other indicators with the [country comparator](#).

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